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WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

DIA review
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CENTRAL INTELLIGENCE AGENCY

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C O N T E N T S

(Information as of 1200 EST, 31 October 1963)

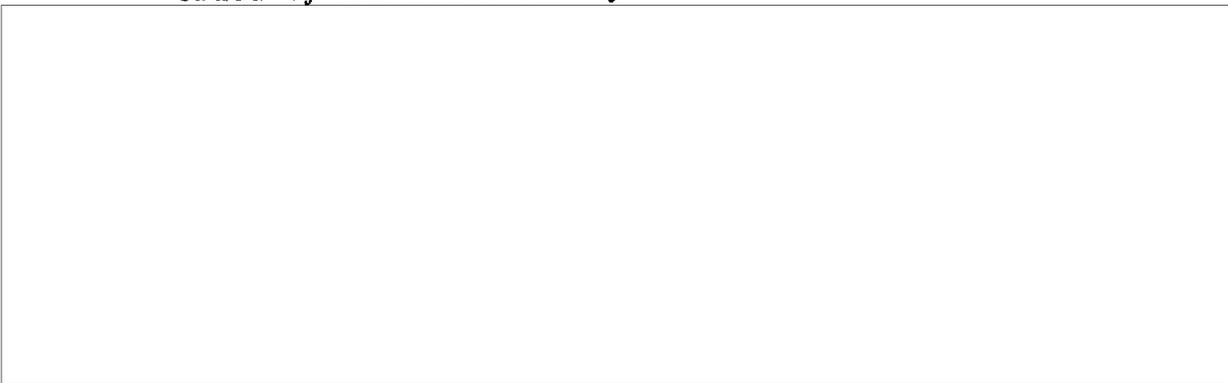


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THE COMMUNIST WORLD

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He evidently has presidential ambitions and may delay restoration of civilian government until a new party being organized by his supporters can ensure his victory in a legitimate election.

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The Communist World

EARLY WORLD COMMUNIST MEETING NOW APPEARS UNLIKELY

The Soviet leaders appear to have decided against calling a new world Communist conference in the near future. They may have been persuaded by talks with foreign Communist leaders that the disruptive effects of a formal condemnation of the Chinese, both in some foreign parties and in the movement as a whole, would outweigh any advantages Moscow could derive from such a conference.

Pravda on 28 October signaled this apparent change of Soviet intentions by reporting on an Italian Communist Party statement which contained the first explicit admission of major foreign Communist opposition to a conference. Although the Italians attacked the Chinese and acknowledged the value of a conference "under certain conditions," their statement expressed "reservations" about the "appropriateness" of holding a meeting "in the near future," and said that such a gathering could only further intensify differences or adopt an "unsatisfactory compromise." On 30 October Moscow radio noted a joint statement by the French and Dutch parties which also denounced Peiping and endorsed a conference "at a suitable time."

Khrushchev's press conference remarks on 25 October also im-

plied a decision not to proceed with a conference at this time. In contrast to Soviet pronouncements in September and the first half of October which appeared intended to lay the basis for a formal indictment of Peiping, Khrushchev confined himself to renewing the appeal for a cessation of polemics. He said, "Let time determine which point of view is more correct."

Although the Soviet leaders have carefully avoided any public commitment to a new conference, the US Embassy in Moscow concluded in mid-October that they were moving toward convening a meeting, but with considerable misgivings. As late as 23 October, Moscow broadcast a summary of a major Kommunist editorial (released to the press on 18 October) which warned that if steps were not taken "in time" to defend the "general line" of the world Communist movement from the "line of Mao Tse-tung," the consequences for the entire movement "may be very grave." Kommunist charged that the Chinese are out to split the movement and "create some new movement under their aegis." It claimed that 65 parties already

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had pledged support to the Soviet party and had condemned Peiping.

In contrast to Peiping's lobbying earlier in the year for an international meeting which it probably believed would provide a forum to express its views, the Chinese apparently now recognize that the effective Soviet exploitation of their rejection of the test ban treaty has weakened their position. On 27 October, the Chinese press reprinted a statement of the New Zealand Communist party terming such a meeting premature at this time. Several members of this solidly pro-Chinese party recently completed a tour of China, and the statement probably was worked out with Peiping.

Recent Chinese pronouncements, like the Soviet ones, are somewhat more ambiguous in tone and less aggressive than earlier statements. In an interview with the chief of Reuters in Peiping on 13 October, Chou En-lai struck a moderate note concerning the dispute.

The fourth installment--published on 21 October--of the Chinese serial reply to the Soviet open letter of 14 July is not so abusive an attack as the previous three articles, although it leaves no doubt concerning Chinese views of the Soviet position on the "national liberation struggle." Peiping's rebroadcast on 30 October of a month-old Albanian diatribe against Khrushchev, however, makes it clear that the Chinese have not forsworn abuse.

If the Soviet leaders have, in fact, decided to forego or at least postpone a conference, this would not preclude some demonstration of solidarity by pro-Soviet parties during the forthcoming Bolshevik Revolution anniversary. An Italian Communist journalist in Moscow has indicated that a meeting of pro-Soviet parties from 7 to 15 November will draw up a draft program for submission to the Chinese as a precondition for a conference and will consider rejection of this draft by the Chinese as tantamount to self-exclusion from the Communist movement.

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KHRUSHCHEV, ON THE MOON RACE

October 1963 - Khrushchev Statement at Moscow Press Conference

It would be very interesting to take a trip to the moon. But I cannot at present say when this will be done. We are not at present planning flights by cosmonauts to the moon. Soviet scientists are working on this problem. It is being studied as a scientific problem, and the necessary research is being done.

I have a report to the effect that the Americans want to land a man on the moon by 1970. Well, let's wish them success. We shall see how they will fly there, how they will land on the moon, and, more important, how they will start off and return home. We shall take their experience into account. We do not want to compete with the sending of people to the moon without careful preparation.

It is clear that no benefits would be derived from such a competition. On the contrary, it would be harmful as it might result in the destruction of people. We have a frequently quoted joke: He who cannot bear the earth any longer may fly to the moon. But we are all right on earth. To speak seriously, much work will have to be done and good preparations made for a successful flight to the moon by man.

April 1962 - Interview With Publisher Gardner Cowles

Cowles: Mr. Chairman, what date can you predict for a Soviet manned flight to the moon and back?

Khrushchev: I cannot give any date, as it has not been decided yet. Your President, the head of a nation where, as you put it, everything is decided by private enterprise, has already announced his plan for sending a man to the moon. But we, though we have a planned socialist economy, have not decided this yet.

A manned flight to the moon, you see, raises many different problems. It will cost a lot to fly to the moon and back.

Cowles: Would you like this to be a joint project by the Soviet Union and the United States of America?

Khrushchev: We would welcome this. The Soviet Union has no aims of conquest in general and with regard to the moon in particular. In principle, we could pool our efforts--material, technical, and scientific--and jointly develop a ship for a flight to the moon. Our scientists are, of course, working in this field. I have heard them; they have good ideas, calculations.

September 1961 - Interview With Journalist C. L. Sulzberger

In answering a question as to when the USSR would send a man to the moon, Khrushchev stated that there was no fixed schedule yet for landing a Soviet citizen on the moon and explained:

It is not a question of getting him on the moon, but of getting him off again. Our national emblem is already on the moon, but we don't want to place a coffin beside it. We are now studying the possibilities of such a flight, but I can't yet say when it would be scheduled. We can fly a man to the moon, but the difficulty is getting him away from there. We can now take off from the earth and land again. If we compare our development to yours, we believe it is a more important development. We remember Darwin's theories on the evolution of the species--from those which crawled, like reptiles, to those which jumped and those which flew. Well, you are still in the jumping stage, while we have already learned to fly and land again. But that is still insufficient. We still have to learn how to land on other planets, and then to take off from them and return to earth.

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KHRUSHCHEV AND THE MOON RACE

US press reports have distorted the import of Khrushchev's remarks at a press conference on 25 October about the moon race, which differ little from views he has expressed over the past two years (see opposite page). Soviet scientific officials, moreover, deliberately voiced similar views to Western scientists earlier this year, alleging that Soviet scientists regard manned lunar missions as unfeasible, at least for the time being.

The questions Khrushchev answered were submitted in advance, and it must be assumed that he had some specific purpose in mind--perhaps several--in commenting on the Soviet lunar program at this time. He may have felt it necessary to reassure Russian consumers that the regime is not spending large sums on nonproductive projects. He may also have intended to further his objective of retarding the pace of the arms and technological race in order to relieve the pressures on Soviet resources. His downgrading of the urgency of a manned lunar landing was probably aimed at influencing US Congressional and public opinion concerning the cost and pace of the US lunar program. And, he may

have wanted to make it clear that the USSR is not allowing the US to set the rules for the space competition.

The USSR has been energetically pursuing a space program which includes lunar exploration. Indications are lacking, however, of a high-priority lunar landing program. Military and space expenditures have imposed a heavy financial burden and have grown at a considerably faster pace than the economy as a whole. Pursuit of a high-priority manned lunar landing program would aggravate and prolong the present period of serious economic strain.

If the USSR is not now trying to land a man on the moon in advance of the US Apollo schedule, then Khrushchev is trying to discount any American achievement in advance, as well as to delay it. Even then, he would probably try to sustain Soviet prestige with attempts to carry out earlier, less expensive, but impressive projects, such as orbiting a manned space station or a manned circumlunar flight.

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The Communist World

SOVIET DRIVE FOR CREDITS IN THE WEST

The USSR is pressing its Western suppliers of equipment for credits, and the European satellites are following its lead. In negotiating new trade pacts and especially in contracting for equipment from Western companies (which seek government guarantees for the extension of credit), the USSR is indicating that purchases will be governed by the availability of credit.

The Soviets are not only seeking more credits but are also asking for longer terms. To finance their large purchases of technologically advanced equipment in 1960-61, the Soviets--with only minimal debts to the free world at that time--were able to make satisfactory arrangements. Since then, credits with terms up to five years--and in some cases slightly longer--have been extended for purchases of about \$1 billion worth of plants and machinery.

The USSR has failed to develop adequate exports to balance its import requirements, however. In fact, its inability to export grain to Western Europe next year will cut further into its foreign exchange earnings. Exports of raw materials for fertilizer production may also fall off; Denmark already has been told potash would not be available in 1964. The necessity to repay earlier credits is tending to nullify the effect of newly acquired medium-term credits and requires Moscow to seek to defer payments for current purchases for ten or twelve

years. This year the Soviets have received about \$300 million worth of credits; their repayment obligations during the year total about two thirds of this amount.

There appears to be no slackening in the Soviet demand for Western industrial goods, and thus the requirement for credits is growing. Soviet economic negotiations abroad and the activities of Soviet trade representatives in Western Europe suggest that the USSR may increase its emphasis on the purchase of chemical and petrochemical plants and equipment. The Khrushchev program to support agriculture by stepped-up imports of equipment continues to be stressed.

such purchases may be at the expense of other imports.

NATO countries are discussing a new common policy on credits to the bloc, covering primarily the question of duration. The consensus appears to be to continue limiting credits to five-year terms. However, the UK and Canada are balking at precisely defined curbs. There is some concern about the magnitude of credits extended, but limitation has not been proposed. The policy under discussion permits exceptions to meet competition from countries not adhering to the agreed policy. This loophole could be important to the USSR should any of the major industrial countries not subscribe to the agreement.

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The Communist World

COMMUNIST CHINA'S FOREIGN AID PROGRAM

Communist China, whose assistance in past years has been extended primarily in Asia, now is offering increased economic aid elsewhere. So far this year, all its offers of such assistance, totaling \$90 million, have been extended to Middle Eastern and African countries--Algeria, Syria, and the Somali Republic.

About two thirds of China's estimated \$1.75 billion in aid offers since 1953 have been made to the Far Eastern satellites--North Vietnam, North Korea, and Mongolia. Offers to non-Communist Asian countries began in 1956 with cash gifts and credits to Nepal, Indonesia, and Cambodia and reached a peak in 1961 with an \$84-million long-term credit to Burma for economic development. The most recent offers to non-Communist Asian countries were in 1962--a total of \$15 million in credits to Ceylon and Laos.

Peiping's aid to African countries--Guinea, Ghana, Mali, Somali Republic and Algeria--has totaled about \$140 million since 1960. Offers to these countries, as well as to Yemen and Syria, appear to have been motivated by a desire to maintain a Chinese "presence" in the face of Soviet aid or to exploit what the Chinese believed were favorable local conditions.

China's substantial assistance to Albania in 1961-62 as well as the very recent disaster relief donated to Cuba probably stemmed from political considerations in Peiping's ideological dispute with Moscow. The Chinese have extended about \$325 million in aid to these countries, including a long-term credit to Cuba in 1960.

Although Chinese aid projects in Communist countries appear generally to have been implemented according to schedule, drawings on Chinese credits outside the Communist bloc have been spotty. To date, projects under long-term Chinese credit arrangements in a large number of non-Communist countries have progressed slowly, partly because of delays in recipient countries. Of a total of \$180 million in long-term credits extended in Africa and the Middle East, so far only about \$25 million are known to have been drawn, about half accounted for by Yemen. Drawings by North Vietnam, North Korea, and Mongolia against China's estimated \$1 billion in economic aid probably have reached about 70 percent, but of the \$275 million offered to non-Communist Asia, only about 25 percent has been drawn.

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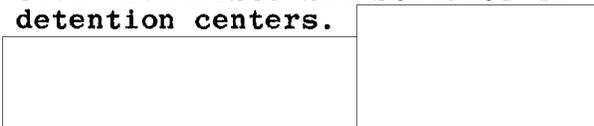
TENSIONS PERSIST IN SOUTH VIETNAM

South Vietnam's National Day was celebrated on 26 October without major incident, but the political situation in Saigon remains uneasy.

Three minor bombings occurred in Saigon on the 26th. Tight security precautions apparently kept crowds small. The US Embassy also saw indications of some deliberate public and official boycott of the celebration.

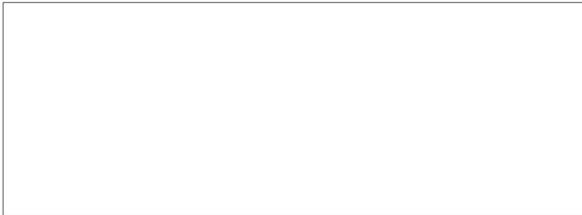
On 27 October, another Buddhist protest suicide took place in Saigon, the seventh in the country since mid-June.

The UN mission to observe the Buddhist situation, after two days of briefings by government officials and visits to selected pagodas, announced it was abandoning the government's planned itinerary and would conduct its own investigation. The group has since broadened its interviews to include Buddhists and students in detention centers.



President Diem's National Day speech contained no announcement of political or economic changes. He stressed the need "for self-sufficiency and self-reliance," presumably in anticipation of substantial reductions in US aid. Further increases were reported last week in the prices of some imported goods. Flour went up 2 percent, condensed milk and chemicals as much as 5 percent, and iron and

steel products by 10-50 percent. Prices of domestic perishable foodstuffs remained generally stable, but the cost of many nonperishable domestic products has risen. Hoarding has become widespread, and the value of the South Vietnamese piaster continues to decline on the black market.



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US military attachés in the past week have reported tenuous signs of lower morale in the Vietnamese armed forces. A redefinition of corps boundaries becomes effective on 1 November, and the government may take this occasion to reshuffle commands and try to appease and neutralize dissatisfied military elements.

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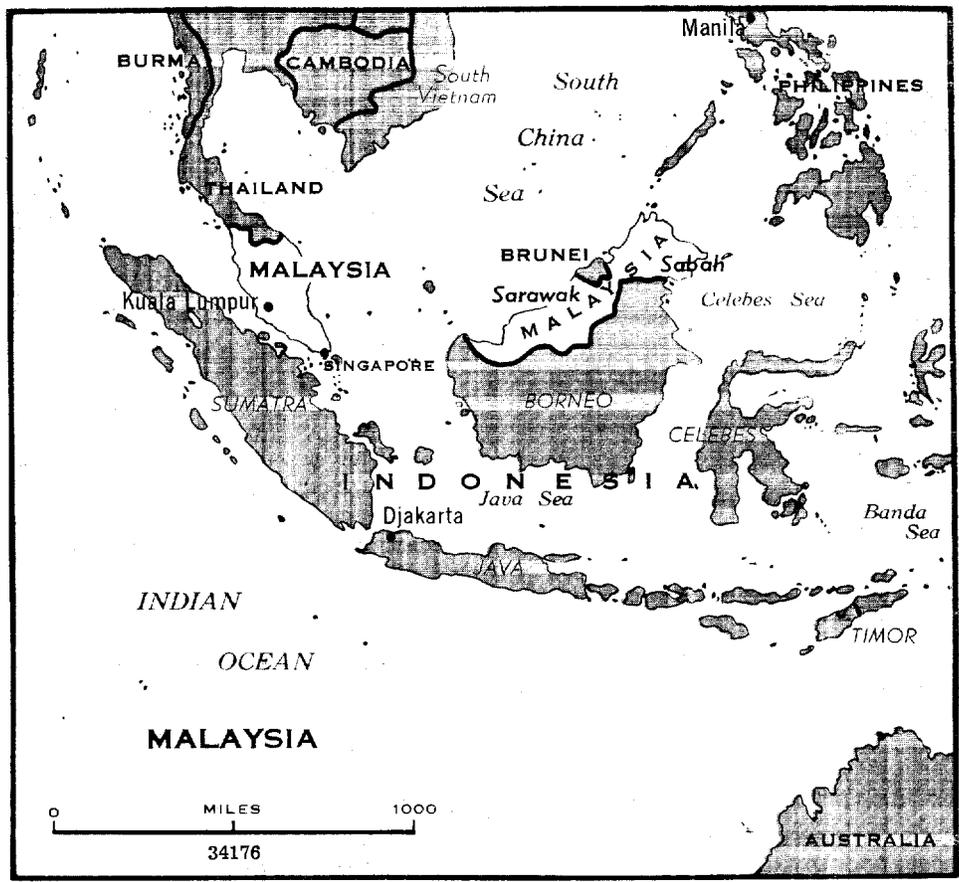
The latest available statistics show some increase in Viet Cong activity. Both Communist and government casualties --as well as government weapons losses--rose sharply as a result of the 19 October battle at Loc Ninh in the delta. In the same general area, an ambush on 29 October made casualties of half the members of one government company. In their propaganda, the Viet Cong, presumably to capitalize on current tensions in Saigon and to boost morale among their followers, have recently been claiming that the "general uprising" is imminent.

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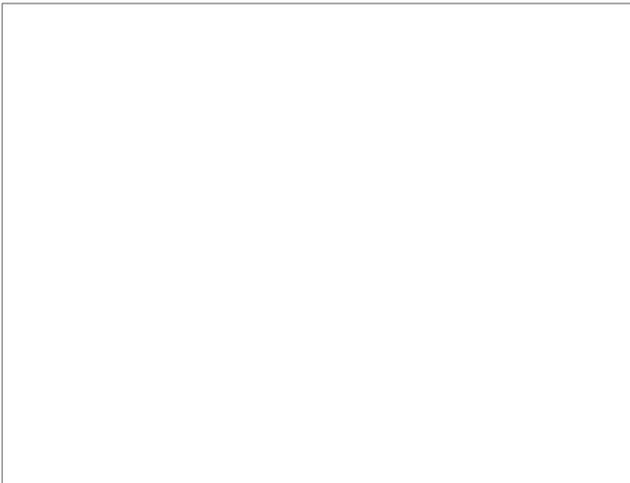
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Asia-Africa

INDONESIA VERSUS MALAYSIA

While Indonesia's covert and propaganda operations against Malaysia have continued unabated, the new nation's defenders are rallying political and military support.

In Sarawak and Sabah military clashes on a larger scale than heretofore may soon occur, inasmuch as both Indonesian and UK-Malaysian forces in the border areas are being built up. A platoon of 42 Indonesian raiders made contact with British-led forces on 24 October.



Indonesian hostility is apparently having a unifying effect within Malaysia. Daily patriotic rallies and effigy-burnings of Indonesian President Sukarno and Indonesian Communist leader Aidit are being held throughout the new federation. On 27 October, the largest demonstration of its kind was held in Kuala

Lumpur by the Chinese Chambers of Commerce backed by 60 Chinese organizations. This was the first anti-Indonesian rally organized and attended almost exclusively by Chinese; previous demonstrations were dominated by Malays.

State Prime Minister Lee appears confident that Singapore can weather the unemployment problem and attendant political repercussions resulting from the economic break with Indonesia, even though the island was the hardest hit of any part of Malaysia by the Indonesian action. A recent meeting of about 400 businessmen in Singapore, however, voiced concern over the effects of a continued Indonesian trade embargo. The conferees, mostly Chinese, supported Malaysia in principle but asserted that this support did not extend to the economic ruin of Singapore.

Although Lee has tried to impress Djakarta that there is no chance of playing off Singapore against Kuala Lumpur and has reiterated his support for Malaysia's stand against Indonesia



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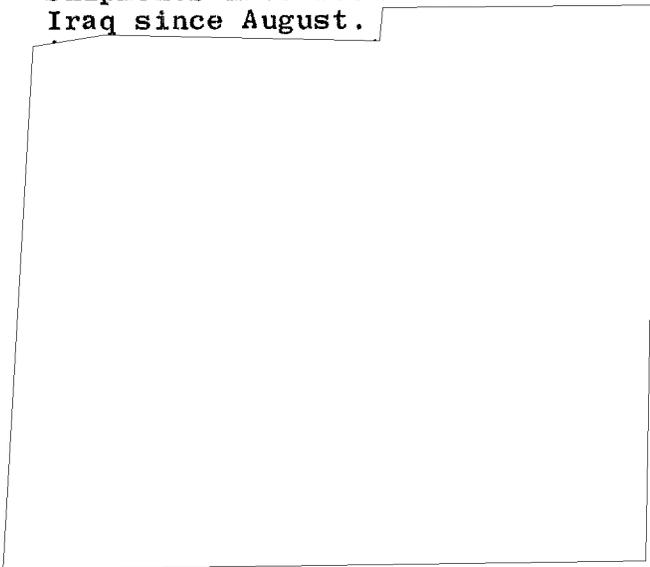
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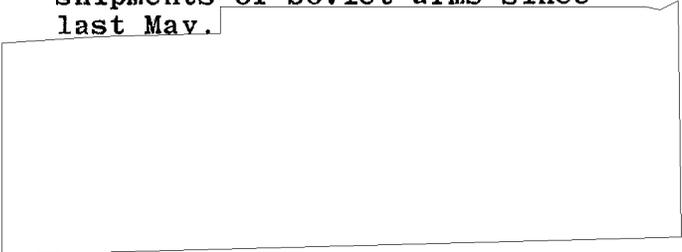
SOVIET RELATIONS WITH IRAQ AND SYRIA

The USSR has moved slowly in recent weeks to improve its relations with Iraq. In response to Iraqi initiatives, Moscow resumed military shipments and now has had withdrawn from the UN agenda Mongolian charges of genocide based on Iraq's campaign against its rebellious Kurds. However, Moscow turned down a proposed visit by Iraq's foreign minister and has kept up a vigorous propaganda campaign against the "antinational" Baathist regime. Moscow had continued cautiously to maintain good relations with Syria's Baathist rulers until their military union with Iraq was announced early this month.

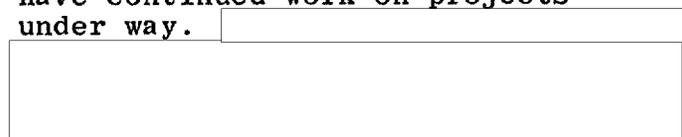
At least three Soviet arms shipments have been delivered to Iraq since August.



Syria has received several shipments of Soviet arms since last May.



Moscow has continued to provide economic assistance to both Iraq and Syria. In Iraq, work is proceeding on a number of Soviet projects which at the time of the February coup were in an advanced stage of construction. Several industrial plants originally scheduled to be built with Soviet aid have been canceled, however, and the Iraqi Government apparently is still considering other proposed Soviet projects. In Syria also, Soviet technicians have continued work on projects under way.



Moscow probably calculates that its propaganda campaign and temporary suspension of military aid have been at least partially effective in preventing Iraq from pursuing a strongly anti-Soviet policy, and that continuation of a degree of pressure will help maintain Baghdad in a neutralist position. At the same time, the USSR's concern at the prospect of full union of Iraq and Syria has been increased by their establishment of a military unity. Moscow's heretofore circumspect treatment of Syria, where the Baath severely moderated its anti-Communism, now has given way to increasingly open attacks on the Syrian Baathists as the "hangmen's accomplices."

Moscow will probably continue its dual game of maintaining correct relations with Iraq through the provision of aid, while at the same time augmenting its anti-Baath propaganda campaign as Iraqi-Syrian unity comes closer to realization.

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MOROCCAN-ALGERIAN CEASE-FIRE ARRANGED

The cease-fire between Moroccan and Algerian forces arranged at Bamako on 30 October seems unlikely to provide more than a temporary truce. The Algerian arms build-up is likely to continue, and the Moroccans can also be expected to press Western sources for additional modern armament.

Efforts of Ethiopian Emperor Haile Selassie to mediate the dispute seemed on the verge of failure when both Moroccan King Hassan and Algerian President Ben Bella quickly accepted Malian President Keita's invitation for talks in Bamako. After a single brief encounter in the presence of Haile Selassie and Keita, Hassan and Ben Bella agreed to a cease-fire effective at midnight 1 November.

Their agreement further provides for the establishment of a commission composed of Moroccan, Algerian, Ethiopian, and Malian officers to determine a demilitarized zone which is to be supervised by Ethiopian and Malian observers, and for the convocation at Addis Ababa of a meeting of the foreign ministers of the Organization of African Unity (OAU) as a special commission of arbitration. The OAU commission will determine responsibility for the outbreak of hostilities, and submit proposals for settling conflicting boundary claims. Both parties agree meanwhile to stop their press campaigns against the other, not to interfere in the

internal affairs of others, and to settle their differences by negotiation.

The participants had hardly left Bamako, however, when they voiced conflicting interpretations of the agreement. The Moroccans denied that they were committed to withdraw their forces from Hassi Beida and Tinjaub --the two posts around which most of the fighting has occurred--while the Algerians insisted that the Moroccans were committed to pull back and denied that adjustments of the border would be negotiated. The Moroccans also may resist pulling their troops back from Tindouf, where they were skirmishing with Algerian forces as late as 30 October.

The border fighting has led to further flowering of Algeria's relations with Cuba.

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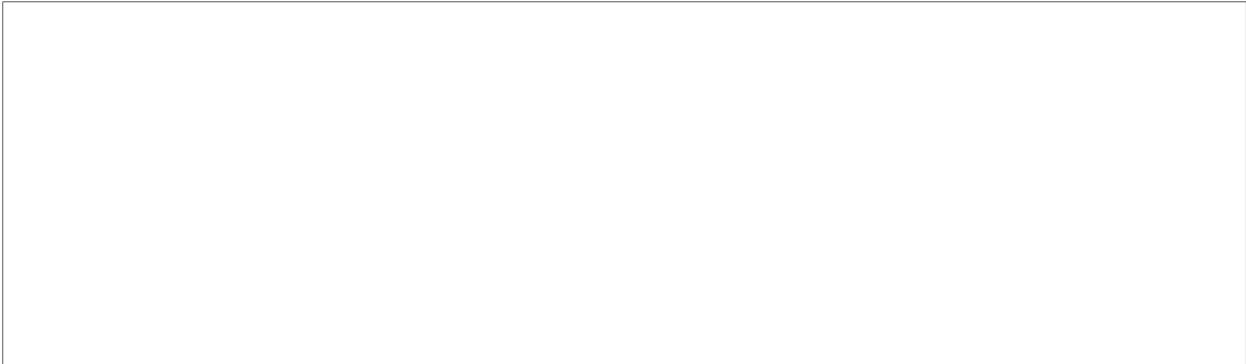


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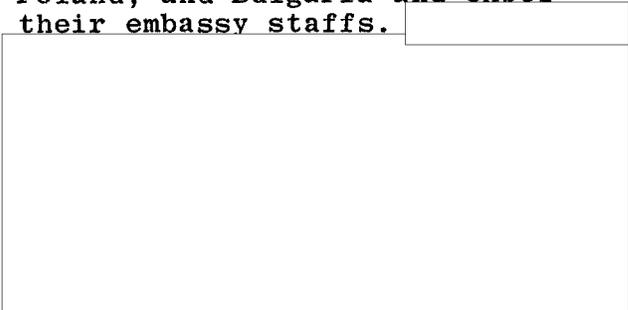
SITUATION CALMS IN LEOPOLDVILLE

The three-member "emergency committee" in Leopoldville, headed by Defense Minister Anany, appears to have brought labor agitation in the Congolese capital under control, at least temporarily. Although there is still some talk of attempting a general strike, the arrest of top labor leaders appears to have intimidated their followers. The potentially dangerous strike of civil servants never really got under way, and the long-standing teachers' strike seems to have petered out.

With the government press citing events in Dahomey (see next page) as an example of the dangers of knuckling to the labor leaders, Anany has indicated he will bring them to trial. At the same time, however, the government has intimated that it may at long last move to meet some of labor's grievances.

The committee's move to strike at what is claimed to be the real source of leftist agitation--the Soviet bloc embassies in the capital--has stalled. Even though the government claims it has "proof" that an unnamed

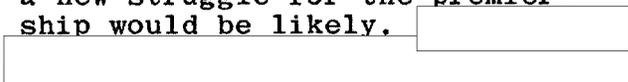
diplomatic mission participated in a plot to subvert the army and overthrow the government, opinion among government leaders reportedly is divided on whether to break relations with the USSR, Czechoslovakia, Poland, and Bulgaria and expel their embassy staffs.



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Bomboko and Anany have denied that the "emergency committee" intends to supplant or dispense with Adoula. However, the committee apparently does not go out of its way to consult with the premier, whose office is deserted while a whirl of activity engulfs the offices of the committee. If the threat of disturbances continues to recede, the committeemen may press for a cabinet reshuffle to drop Adoula. In this event, a new struggle for the premiership would be likely.



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Asia-Africa

DAHOMEY'S GOVERNMENT OVERTHROWN

After a week marked by rioting, demonstrations, and a four-day general strike, President Maga has resigned and a four-man provisional government headed by Army Chief of Staff Soglo has taken over in Dahomey. The immediate political crisis has passed, but the emergence of both the labor unions, which spearheaded the demonstrations, and the military as important political factors seems to portend further instability.

Besides Soglo, the new government includes a civilian triumvirate of Maga, ex - Vice President Apithy, and erstwhile Assembly President Ahomadegbe. This group is not likely to alter Dahomey's strongly pro-Western orientation to any significant extent. Soglo has announced that the initial task of the provisional government will be to prepare for early elections. Ahomadegbe, who reportedly has influence with Dahomey's military leaders, may be emerging as the most important leader.

Maga was included as a minister after a previous provisional government under his leadership was rejected by unionists who insisted he step down as head of state. Since he is spokesman for Dahomey's northern tribesmen, military leaders were reluctant to oust him altogether for fear that this would aggravate the country's basic

north-south split. For the same reason Apithy and Ahomadegbe, rival leaders of the two southern factions in Dahomey's long-standing three-cornered political struggle, reportedly helped persuade union leaders to keep Maga on.

The US Embassy feels that the French probably encouraged Maga's resignation from the presidency after it became apparent that the unionists would be satisfied with nothing else. The French maintain 800 troops in Dahomey, but have not used them during the crisis.

Leaders of Dahomey's basically weak trade union movement, some of whom in the past have been associated with Communist fronts, capitalized on widespread discontent over economic conditions, especially a wage freeze imposed by Maga, and emerged from the crisis with considerable political power. There seems to have been no Communist role in the crisis, however, and the influence of the more radical younger unionists may be counterbalanced by moderate unionists and by the predominantly conservative military leaders.

The Dahomey upheaval is likely to hasten the demise of the 14-nation, Paris-oriented, Afro-Malagasy Union (UAM). The UAM states were already having difficulty adjusting to the revolution in Brazzaville just two months ago. The Dahomey incident may stimulate labor and military leaders in other UAM states to seek a more influential political role.

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Europe

LABOR DEMANDS THREATEN FRENCH ANTI-INFLATION PROGRAM

The nationwide 24-hour rail strike in France on 23 October was a major move in the trade unions' stepped-up campaign to press the government to liberalize its wage policy. The government has raised this year's cost-of-living increment from three to four percent, but labor is restive and the much-heralded stabilization plan is in jeopardy.

The plan, announced in September, was designed to arrest spiraling living costs and wages. Its major aim was to prevent French prices--which have already risen an average six percent annually since 1961--from outdistancing those of the other EEC members. Specific measures include price ceilings, tax increases, a credit squeeze, and appeals to employers not to bow to demands for constant wage boosts.

The general public has reacted with a "wait and see" attitude, but the plan has come under increasingly severe attack from farmers, small shopkeepers, and big business. The most serious threat to the government's resolve to bring inflation under control, however, is posed by labor's renewed wage claims. Government ministers have been meeting with trade union leaders in an effort to win support for the austerity program; so far the discussions have served only to harden the existing stalemate, with the unions insisting they favor stabilization but not at labor's expense.

The unions argue that rising prices are not the result of pay increases, but rather of military expenditures, business and land speculation, excess profits, and an uneconomic distribution system. Moreover, they accuse the government of bad faith in its efforts to limit wage increases to four percent for the coming year and to defer until spring a conference on the broad problem of wage structure promised for autumn,

The current unrest is greatest in the nationalized enterprises--i.e., among railway and mine workers and civil servants. It stems basically from problems of internal wage structures, disparities between government wages and those of private industry, and long-range job security issues which were not definitively dealt with in the April 1963 labor-government settlements. The unions claim, for instance, that the government's present wage offer still fails, particularly because of the price increases since the spring settlement, to overcome the lag between real wages and the cost of living.

In the meantime, labor unrest in the nationalized sector, which has been festering since early September, is rapidly reaching a more serious stage. At present the unions are acting cautiously; but there is an increased likelihood of strikes involving mine, gas, and electricity workers and civil servants. In the private sector, moreover, strikes are threatened in metals, textiles, clothing, and retail industries.

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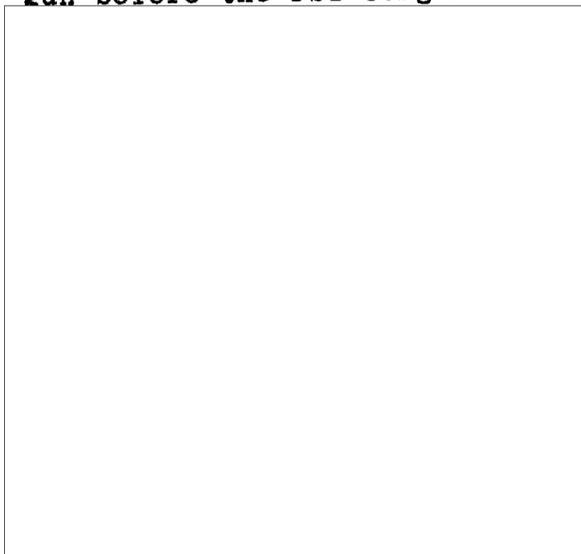
Europe

THE ITALIAN POLITICAL SITUATION

Difficult negotiations on cabinet posts and on a legislative program are in prospect as Italy's Socialists and Christian Democrats begin the effort to form a center-left coalition. Opponents of such an alliance have a wide range of tactics available to try to block it.

Socialist Party (PSI) leader Pietro Nenni's freedom to negotiate the alliance will be limited by the fact that Riccardo Lombardi, who blocked coalition efforts in June, controls 16 of the Nenni faction's 59 seats on the party's newly elected central committee. Moreover, the resolutions adopted at this week's PSI congress include foreign policy reservations which may lead Christian Democratic opponents of the center-left to balk.

Negotiations with the Christian Democrats on the distribution of portfolios in a new government had already begun before the PSI congress.



More formidable roadblocks to an agreement could be thrown up at any time. President Segni, for example, may try to complicate matters by appointing someone less pro-center-left than Moro to head the government.

Another obstacle might be a Socialist request that Lombardi, who fathered the controversial bill which nationalized Italy's electric energy last year, be appointed to the ministry of state holdings. The PSI negotiators could make matters still worse if they demand--as predicted in some quarters--that former premier Fanfani be made foreign minister, since a large segment of his own party opposes such an appointment. The Socialists also are reluctant to include such right-wing Christian Democrats as former premier Pella in the cabinet.

With the further problem of a government legislative program still to be tackled, there is mounting evidence that Christian Democratic right-wingers who strongly oppose a center-left government are prepared to go to great lengths to prevent one. A sizable minority of the parliamentary group openly rebelled against Moro's statement before the Socialist congress that center-left government "must be attempted despite the risks involved in an experiment of such historic magnitude."

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DANISH GOVERNMENT THREATENED

Danish Prime Minister Krag's coalition government-- a generally moderate political grouping of his own Social Democratic Party and the Radical Liberal Party--may be forced to call early elections. It has defeated a series of no-confidence motions in recent weeks, but its margin of victory declined to one vote in the most recent test on 23 October. The opposition is made up primarily of more conservative parties, but also includes the extreme leftist Socialist People's Party.

The conservatives contend that the government cannot work out a general program supportable by a large parliamentary majority. It is traditional in Denmark to seek broadly based compromise solutions which will to a considerable extent satisfy the opposition. The government worked out such a compromise in connection with an important fiscal bill last June, but several months previously major economic legislation was passed only by a bare majority.

The political maneuvering is taking place against a background of considerable prosperity. Although prospects for an early resumption of negotiations on Danish EEC membership are dim, the Danes are hopeful of securing favorable

treatment for their agricultural products through some other arrangement with the EEC. Like Norway's, Denmark's membership had been conditioned on the United Kingdom's admission. The Krag government's policy over the past year has nevertheless been successful in replacing inflation and a balance of payments deficit with stable prices and a foreign exchange surplus.

Several key political leaders are assessing prospects for a new postelection government coalition. Aksel Larsen, who led the bulk of Danish Communists and sympathizers away from orthodox Communism to his "national communist" Socialist People's Party (SFP), is working for eventual cooperation with the Social Democrats. Krag, however, has sharply rebuffed him and appears to be considering cooperation with the more moderate of the conservative parties.

New general elections must in any case be held before the end of 1964. A recent Gallup poll suggests some movement away from the government. At the last election in 1960 the two coalition parties had 47.9 percent of the vote, but, according to the survey, would win only 43.7 percent now. The two major conservative parties had 39 percent of the 1960 vote, but drew 41.6 percent in the recent survey. The SFP showed an increase from 6 to 8 percent.

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Western Hemisphere

POLITICAL PLANS OF HONDURAN COUP LEADER LOPEZ

Although the military regime in Honduras will probably soon announce a plan to return to constitutional government, it appears determined to control the government until elections can be held. The head of state, Colonel Oswaldo Lopez Arellano, evidently has presidential ambitions, and may delay elections until he can build up enough popular support to ensure his victory.

Lopez told a US embassy official on 25 October that his regime, while not anxious to prolong its tenure, intends nevertheless to conduct a new electoral census, call a constituent assembly to revise the constitution or draft a new one, and then hold elections. He refused to indicate how long this might take.

Lopez went on to say that the armed forces had definitely decided not to install a civilian government during the interim period, since a provisional president would be just a figurehead of the military, and most Latin American governments would so regard him. Moreover, he added, a civilian junta would only lead to squabbling, with the army ultimately stepping in as arbiter.

The overwhelming influence of the military in the national government thus far seems to reflect Lopez' well-known contempt for all "politicians." Military officers have also assumed control of most of the country's 18 governorships. Moreover,

military influence appears to be growing in the Ministry of Health and its network of rural health centers.

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Western Hemisphere

LABOR UNREST IN BRAZIL

New labor troubles in Brazil have ended the relatively relaxed period that followed President Goulart's short-lived drive to establish a state of siege in October. The potentially critical situation in Sao Paulo raises the possibility of a showdown between the government and anti-Goulart forces.

The newly formed Joint Action Pact (PAC), a Communist-oriented alliance of some 700,000 workers in Sao Paulo, has begun an industrial strike, ostensibly for wage increases but undoubtedly with overriding political motives. Latest reports estimated that more than 30 percent of Sao Paulo's industrial workers were on strike and indicated that sympathy strikes were breaking out elsewhere. Brazil's largest labor confederation, the Communist-controlled National Confederation of Industrial Workers, has threatened a nationwide strike if the PAC demands are not met. Meanwhile, the taxi drivers' strike which began on 25 October continues to tie up most of the city's cabs.

A more serious danger is the threat of federal intervention should the strikes get out of hand. No violence was reported in the early stages of the strike, and Governor Adhemar de Barros with the help of the army seemed to be in control of the situation. General Peri Bevilacqua, Second

Army commander stationed in Sao Paulo, said he would back up De Barros with troops and would ensure the peace "at any price."

However, while Bevilacqua is considered a staunch anti-Communist, his maneuverability may have been curtailed somewhat by recent events. War Minister Jair Ribeiro continues to transfer large numbers of officers out of the Second Army in an apparent attempt to undermine Bevilacqua. Moreover, the War Ministry recently issued regulations cautioning army commanders against complying with requests from any state governor for assistance without authorization by the President--a direct warning to Bevilacqua not to collaborate with De Barros, a leading opponent of Goulart.

President Goulart will be under heavy and conflicting pressure to reach a reasonable solution in Sao Paulo. Federal intervention against Governor de Barros could spark a widespread, violent reaction by moderates and rightists. To agree to excessive labor demands would aggravate the already rampant inflation--which has raised living costs over 50 percent this year--and would add to growing public dissatisfaction. On the other hand, any action which hinders labor's efforts would tend to alienate Goulart's leftist supporters.

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Western Hemisphere

VENEZUELA PREPARES FOR ELECTIONS

Venezuela's Romulo Betancourt has temporarily thwarted leftist terrorist efforts to defeat his ambition to be his country's first freely elected president to complete a five-year term and hand over the government to a freely elected successor.

By adding military units to his beleaguered police force, Betancourt has managed to reduce the terrorism which reached a peak during the second week of October. His action has also placated most of the military leaders who had accused him of ineffectual handling of the terrorist problem. However, there probably will be an upsurge of both terrorism and military unrest before the 1 December elections and another during the period between the elections and the inauguration next March.

The political views of all seven presidential candidates are left of center. Betancourt's Democratic Action (AD) party is represented by Raul Leoni, who owes his status of "candidate most likely to win" almost wholly to the fine organization the AD has built up during its five-year incumbency.

AD's coalition partner, the Social Christian Party (COPEI), is running Rafael Caldera. Defeated by Betancourt in 1958, Caldera's chances are considered slim.

Jovito Villalba is the candidate of the largest opposition party, the Republican Democratic Union (URD). He could win only in the unlikely event the opposition parties united behind him.

Arturo Uslar Pietri, an independent, is making a surprisingly good showing with a campaign he claims is based on Theodore H. White's analysis of the 1960 election in the United States, The Making of a President.

Wolfgang Larrazabal, who as URD candidate was defeated by Betancourt in 1958, is also running as an independent. His campaign has been far less successful than expected, and he has been under considerable pressure from URD to withdraw in favor of Villalba.

Two minor candidates--Raul Ramos Gimenez, of the "ARS" splinter of AD, and German Borregales, of the National Action Movement--have no chance of winning or of significantly influencing the outcome.

In any event, whichever party wins the presidency will probably face a hostile congress with a minority of seats, as no single party is expected to win a majority in the congressional race.

Voting is compulsory in Venezuela. About 25 percent of the voters became eligible during the past six years and are expected to register the usual discontent of youth with the established authority. They will probably support Villalba. There is also a great number of voters who have migrated from rural regions to urban slum districts. Their discontent with living conditions represents a disadvantage to Betancourt's party.

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